

## The complaint

Mr W complains that 2 Plan Wealth Management Limited (“2 Plan”) recommended he invest in the Woodford Equity Income Fund (“WEIF”) and, furthermore, didn’t advise him to withdraw from it when there were signs of it failing.

## What happened

Mr W first met with the adviser from 2 Plan in late 2016. This led to a recommendation in April 2017 that he switch funds within one of his existing pensions (valued then at just under £220,000) to a balanced-risk model portfolio. This was made up of 15 funds, of which the WEIF, the subject of this complaint, was one.

The WEIF was suspended in June 2019 and Mr W complained to 2 Plan shortly after. He felt it had been apparent that the fund had been in difficulties for some time and, as such, he shouldn’t have advised to invest in it, nor remain invested.

2 Plan didn’t uphold the complaint. It said, in brief, that investment in the fund had been consistent with Mr W’s attitude to risk and suitable for him as part of the overall pension portfolio. At the time of the advice in 2017 the fund had been used by all platforms and providers and there’d been nothing to indicate there were any problems with it. Further, the possibility of it being suspended in 2019 couldn’t have been foreseen.

Mr W referred his complaint to this service, but our investigator reached broadly the same conclusion as 2 Plan. He said, in brief:

- Investment in the WEIF appeared to have been suitable for Mr W and in line with his attitude to risk.
- He had previous investment experience and was in a financial position with capacity for risk. He had also opted to increase the level of risk for the portfolio from that initially suggested.
- The recommended balanced portfolio featured a diverse selection of asset types, and the WEIF represented only 5% of the portfolio.
- Two annual reviews of the portfolio took place in April 2018 and 2019. Both considered the general ongoing suitability of the investment and no changes were recommended. No reference was made to the WEIF, or any other particular fund, on either occasion.
- There was no clear indication that there was a problem with the WEIF such that a recommendation should’ve been made to switch out of it.

Mr W didn’t accept the investigator’s view. He felt the WEIF investment should certainly have been specifically addressed by the point of the 2019 review. He said that by March of that year there were known issues with the fund regarding the Guernsey Stock Exchange, holdings in unquoted corporates and liquidity. Mr W felt all this should’ve been disclosed by the adviser as part of the review and if it had been, he’d have switched out of the fund.

The investigator wasn’t persuaded to change his opinion, so the matter’s been referred to me to review.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I've come to the same conclusions as the investigator. I don't think the complaint should be upheld.

There are essentially two issues for me to consider. Firstly, whether Mr W should've been advised to invest in the WEIF in the first place. And, secondly, whether 2 Plan should've recommended he later switch from it, or at least have provided him with more information about the fund at the subsequent reviews, so he could make his own informed decision.

In respect of the former issue, I think the initial recommendation appears to have been suitable and consistent with Mr W's circumstances and investment experience. The fund formed a small part of a portfolio that generally reflected his attitude to risk, particularly as he'd sought to slightly increase the risk level overall to sit at a point just above 'balanced'.

In respect of the latter issue, which I think it's fair to say is Mr W's primary concern, I'm also not persuaded that 2 Plan acted incorrectly. I accept that some issues developed with the fund after he invested, as Mr W has pointed out. At the point of the first review in April 2018, its performance had fallen and during that year it was recategorised as an 'all companies fund' to reflect the decrease in the income it was producing. The WEIF was also investing increasingly in unlisted securities during this period. There was then the issue with the Guernsey Stock Exchange that Mr W has highlighted.

But I don't think at the point of either review the situation with the WEIF was such that 2 Plan failed Mr W in not recommending a switch. As the reviews didn't document what specific consideration was given to the WEIF, or any of the other 14 funds in which Mr W pension was invested, it's difficult to know what the adviser's thinking was. But at the time, without the benefit of hindsight, I don't think it was unreasonable to maintain that investment in the fund was suitable.

As noted, the WEIF's performance had been poor, but Woodford was widely recognised for previous good performance, with funds demonstrating some volatility, but then recovering. While it's always stressed in the context of investment that past performance is not a guide to future performance, it's likely 2 Plan gave some consideration to Woodford's record when reviewing the fund and I think it was reasonable for it to do so.

And it must be remembered that any consideration was being made in the context of Mr W's attitude to risk for the portfolio being slightly higher than 'balanced', which was accepting of some additional volatility. And the investment in the fund represented only around 5% of its value as a whole.

I accept that the adviser could have provided more information to Mr W at the point of each review, going beyond a general appraisal of ongoing suitability to look at the situation with each of the funds. But I'm not persuaded that if he had done, it's more likely than not, on balance, that Mr W would've asked to switch out of the WEIF. I say this because I think it's likely that any consideration of information that might have been provided would, as above, have been in the context of the portfolio as a whole. And as such, Mr W, as a reasonably experienced 'balanced' investor, wouldn't have felt it necessary to switch out of the fund so soon after investing in it.

**My final decision**

For the reasons given, my final decision is that I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 22 April 2022.

James Harris  
**Ombudsman**